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BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 89-426-S - ORDER NO. 90-868
SEPTEMBER 27, 1990

IN RE: Application of WildeWood Utilities,)
Inc., for approval of a new schedule)
of rates and charges for sewage)
treatment services provided to its) ORDER
customers in the Briarcliffe Estates)
Subdivision and modification of the)
utility's rate structure.)

I.

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed March 30, 1990, by WildeWood Utilities, Inc. ("WildeWood" or "Company"), requesting approval of a new schedule of rates and charges for sewage treatment services provided to its customers in the Briarcliffe Estates Subdivision and approval of a modification of the rate structure for such customers. Following receipt of the Application, the Commission issued a Notice of Filing in this Docket and provided same to the company with instructions to publish such notice and mail copies thereof to customers who would be affected by the proposed rate increase.

The Company timely caused the Notice of Filing to be published and duly mailed a copy of the Notice of Filing to each of its customers in the Briarcliffe Estates Subdivision who would be

affected by the proposed rate increase and rate structure modification. The Company thereafter filed affidavits with the Commission certifying that the Notice of Filing had been duly mailed to its affected customer base and had been appropriately published.

According to WildeWood's Application, the proposed rates and charges would increase sewer revenue by approximately \$65,827, or 151.02%. The Company's presently authorized rates and charges were approved by Order No. 19,266 issued on May 4, 1976, in Docket No. 76-80-S.

The Consumer Advocate and one customer, Mr. George Hendry, filed Petitions to Intervene. Both Petitions were granted by the Commission and the Consumer Advocate and Mr. Hendry were made parties of record.

The Commission Staff made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered other detailed information concerning the Company's operations. The Consumer Advocate and Mr. Hendry likewise conducted their discovery in the rate filing of WildeWood.

In accordance with the instructions of the Executive Director of the Commission, the Company prefiled the direct testimony of William R. Hunt, CPA, and R. Stan Jones, President of WildeWood Utilities, Inc.

Subsequently, the Consumer Advocate prefiled the direct testimony of Phillip E. Miller of Riverbend Consulting, Columbus, Ohio; the Commission Staff prefiled the direct testimony of Vivian

B. Dowdy, an accountant with the Accounting Department of the Commission's Administrative Division, and Charles A. Creech, Chief of the Water and Wastewater Department of the Commission's Utilities Division; and Intervenor Hendry prefiled his direct testimony.

A public hearing was held at 10:30 a.m. on Thursday, August 9, 1990. Pursuant to §58-3-95, S.C. Code of Laws (Cum. Supp. 1989), a panel of three Commission members composed of Vice Chairman Yonce, presiding, and Commissioners Maass and Mitchell, was designated to hear and rule on this matter.

II.

FINDINGS OF FACT

Based upon the Application, the testimony and exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission now makes the following findings of fact:

1. That WildeWood is a sewer utility providing sewer service in its service areas within South Carolina, and its operations in South Carolina is subject to the jurisdiction of the Commisison, pursuant to S.C. Code Ann. §58-5-10, et seq. (1976), as amended.

2. That the appropriate test period for the purposes of this proceeding is the twelve-month period ending December 31, 1989.

3. That by its Application, the Company is seeking an increase in its rates and charges for sewer service of \$65,827.

4. That the appropriate operating revenues for the Company

for the test year under the present rates and after accounting and pro forma adjustments are \$43,848 which reflects a \$260 increase in per book revenues.

5. That the appropriate operating revenues under the approved rates are \$106,880 which reflects a net authorized increase in operating revenues of \$63,032.

6. That the appropriate operating expenses for the Company's South Carolina operations for the test year under its present rates and after accounting and pro forma adjustments are \$165,875, which reflects a decrease in per book expenses of \$(336,689).

7. That the appropriate operating expenses under the approved rates are \$166,411.

8. That the Company's appropriate level of net operating income for return after accounting and pro forma adjustments but prior to rate increase is \$(122,027).

9. That the appropriate net income for return under the rates approved and after all accounting and pro forma adjustments is \$(59,531).

10. That a year end, original cost, rate base of \$1,949,382 consisting of the components set forth in Table B of this Order, should be adopted.

11. That the Commission will use the operating margin as a guide in determining the lawfulness of the Company's proposed rates and the fixing of just and reasonable rates.

12. That a fair operating margin that the Company should have the opportunity to earn is (165.44)% which is produced by the

appropriate level of revenues and expenses found reasonable and approved herein.

13. That the rate designs and rate schedules approved by the Commission and the modifications thereto as described herein are appropriate and should be adopted.

14. That the rates and charges depicted in Appendix A, attached herein, and incorporated by reference, are approved and effective for service rendered on and after the date of this Order.

III.

EVIDENCE AND CONCLUSIONS

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

The evidence supporting this finding concerning the Company's business and legal status is contained in the Company's Application and in prior Commission Orders in the docket files of which the Commission takes notice. This finding of fact is essentially informational, procedural, and jurisdictional in nature, and the matters which it involves are essentially uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 2 AND 3

The evidence for these findings concerning the test period and the amount of the revenue increase requested by the Company is contained in the Application of the Company and the testimony and exhibits of Company witnesses Jones and Hunt.

On March 3, 1990, the Company filed an Application requesting approval of rate schedules designed to produce an increase in gross revenues of \$65,827. The Company's filing was based on a test period consisting of the 12 months ending December 31, 1989. The

Commission Staff and the parties of record herein likewise offered their evidence generally within the context of that same test period.

A fundamental principle of the ratemaking process is the establishing of a test year period. The reliance upon the test year concept, however, is not designed to preclude the recognition and use of other historical data which may precede or postdate the selected twelve month period.

Integral to the use of a test year, representing normal operating conditions to be anticipated in the future, is the necessity to make normalizing adjustments to the historic test year figures. Only those adjustments which have reasonable and definite characteristics, and which tend to influence reflected operating experiences are made to give proper consideration to revenues, expenses and investments. Parker v. South Carolina Public Service Commission et.al., 280 S.C. 310, 313 S.E. 2d 290 (1984).

Adjustments may be allowed for items occurring in the historic test year, but which will not recur in the future; or to give effect to items of an extraordinary nature by either normalizing or annualizing such items to reflect more accurately their annual impact; or to give effect to any other item which should have been included or excluded during the historic test year. The Commission finds the twelve months ending December 31, 1989, to be the reasonable period for which to make our ratemaking determinations herein.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4 AND 5

The evidence for the findings concerning the adjusted level of operating revenues is found in the testimony and exhibits of Company witness Hunt and Commission Staff witness Creech.

The Company and the Staff proposed to adjust the per book revenue on the one adjustment to reflect the annualization of the present rates. The difference between the Staff's and the Company's adjustment was that the Staff used the correct billing units. Because the Staff's adjustment includes the appropriate billing units, the Commission will adjust book revenues due to the annualization of present rates by \$260 as proposed by Staff. This adjustment is appropriate for ratemaking purposes as it reflects the proper level of revenues for the Company.

Therefore, for the purposes of this proceeding, the appropriate operating revenues for the Company for the test year under the present rates and after accounting and pro forma adjustments, are \$43,848 which reflects a \$260 increase in revenues.

Using the Commission's Finding of Fact No. 12 and the Evidence and Conclusions, infra., approving a (165.44)% operating margin, the Company's operating revenues after the approved increase are \$106,880.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 6 AND 7

Certain adjustments affecting expenses were included in the exhibits and testimony offered by witness Hunt for the Company, witness Miller for the Consumer Advcoate, and witnesses Dowdy and

Creech for the Commission Staff. This Order will address and detail only those accounting and pro forma adjustments affecting expenses which differed among the Company, the Consumer Advocate and the Commission Staff.

ANNUALIZATION OF DEPRECIATION

The Staff proposed to annualize depreciation expense based on year-end plant levels and depreciation rates. The Consumer Advocate concurred with the Staff's adjustment of reducing depreciation expense by \$142,764.

The Consumer Advocate argued that the Company's depreciation expense is excessive as a result of the accrual rates it proposed be used. The Consumer Advocate believes that the Company's accelerated rates are inappropriate and recommends that the accrual rates traditionally authorized by the Commission be approved. The Staff also challenged the Company's proposed accrual rates and recommended more typical accrual rates and elimination of depreciation on the contributions in aid of construction.

The Commission finds that the Staff's adjustment to reduce depreciation expense by \$142,764 properly reflects the depreciation expense based on year-end plant levels, appropriate depreciation rates and appropriate ratemaking principles. Staff's adjustment is adopted for ratemaking purposes herein.

RATE CASE EXPENSES

The Company and the Staff proposed various adjustments to the expenses associated with this rate case and previous rate cases over a three year period. In its filing, the Company proposed

estimated expenses of \$16,080. The Commission Staff, at the time of its audit, based its adjustment on the actual expenses billed at that time and proposed that this be amortized over a three-year period consistent with accepted Commission and ratemaking policies. Staff's adjustment amounted to \$1,792. At the hearing, the Company updated its estimate to reflect the actual cost of this proceeding. The Company submitted supporting documentation at the hearing which were reviewed by the Accounting Staff. The actual cost submitted by the Company for this rate case was \$24,930 which would result in an annual amortization over three years of \$8,310. The Commission has determined that the testimony presented as to the actual rate case expenses incurred is appropriate for ratemaking purposes and is adopted herein.

SALARIES, WAGES AND PAYROLL TAXES

The Staff proposed to adjust salaries and wages and payroll taxes. The management salaries and payroll taxes were reduced \$123,106 on a total company basis. The adjustments are based on current wage rates and employee levels. The Consumer Advocate recommended that the Commission should accept the Staff's proposed salaries and wages adjustment. It was the Consumer Advocate's witness's opinion that the Company's salary levels appeared high for a Company the size of WildeWood. The Consumer Advocate also was concerned that the President's salary had not been capitalized by the Company even though he devotes a considerable portion of his time managing the regional wastewater treatment facilities and service conducted under the current 201/208 plan.

The Commission is of the opinion that Staff's proposals are in compliance with proper ratemaking methodology and Staff's adjustment is approved herein.

GROSS RECEIPTS TAXES

The Staff proposed to make an adjustment to general expense to reclassify gross receipts taxes. The Staff's adjustments are proper and are hereby adopted for ratemaking purposes. Therefore, operating taxes will be adjusted by \$554 and general expense will be adjusted by \$(554).

GAIN ON CONDEMNATION OF PLANT

The Commission finds that the proceeds from the 1986 gain on the condemnation of the WildeWood subdivision plant do not have to be shared with consumers. The gain resulted from the sale of assets that were purchased with investor supplied funds. The customers of WildeWood Utilities did not own the assets that were sold and accordingly should not share in a gain resulting from their disposition. The same principle would have been appropriate had the sale resulted in a loss. Further, it should be noted that the Staff has identified \$296,000 in Contribution in Aid of Construction at December 31, 1989, and accordingly, these non-investor supplied funds have been reduced from Rate Base and also, Depreciation Expense was adjusted to recognize this contribution from customers.

The Consumer Advocate alleges that the Company has not supported its per books operation and maintenance expenses because

there was no evidence submitted on allocations. The Commission based its determinations on total company operations rather than on allocations to the Briarcliffe system. Therefore, the Commission finds that evidence submitted on allocations to Briarcliffe would be unnecessary.

CUSTOMER GROWTH

The Company proposed to record the effects of customer growth. The Commission Staff using standard Commission procedures did not apply customer growth to a negative operating income. The Commission does not recognize negative growth and therefore does not accept the Company's adjustment.

OTHER

The Staff capitalized legal fees associated with the Bridge Creek sewer plant which resulted in an adjustment to general expense of \$(62,986). The Staff also made an adjustment of \$(1,200) to general expense to eliminate the estimated amount of office supplies included in management fees because only known and measurable costs are allowed. Another adjustment made by Staff to general expense was an adjustment of \$(55) for non-allowable expense items to be reclassified. The Staff adjusted expenses by \$(16,263) for the costs of a loan obtained by the Company as a below-the-line expense. An adjustment to operating and maintenance expense of \$1,375 was made to reflect repairs to sewer lines that were capitalized but should have been expensed.

All accounting and pro forma adjustments proposed by the Staff and not objected to by any other party are hereby approved. All

other adjustments proposed by any party inconsistent therewith have been reviewed by the Commission and found to be unreasonable or inappropriate for ratemaking purposes and are hereby denied.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8 AND 9

Based on the Commission's determinations concerning the Accounting and Pro Forma adjustments to the Company's revenues and expenses, and its determination as to the appropriate level of revenues and expenses, (see, Evidence and Conclusions for Finding of Fact No. 12) net income for return is found by the Commission as illustrated in the following Table:

TABLE A
NET INCOME FOR RETURN

BEFORE RATE INCREASE	\$
Operating Revenues	43,848
Operating Expenses	165,875
Net Operating Income	(122,027)
Customer Growth	-0-
Net Income for Return	<u>(122,027)</u>
AFTER RATE INCREASE	
Operating Revenues	106,880
Operating Expenses	166,411
Net Operating Income	(59,531)
Customer Growth	-0-
Net Income for Return	<u>(59,531)</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

The evidence supporting these findings concerning proper methodology and level of cash working capital and proper items to be included in the Company's rate base can be found in the exhibits and testimony of Company witness Hunt, Consumer Advocate witness

Miller and Commission Staff witness Dowdy. The rate base, as allocated to the Company's operations, is composed of the value of the Company's property used and useful in providing sewer service to the public, plus construction work in progress, materials and supplies, and an allowance for cash working capital and property held for future use; less accumulated depreciation, accumulated deferred income tax (liberalized depreciation) and customer deposits. The Accounting Department of the Administration Division of the Commission Staff, prior to the date of the hearing, conducted an audit and examination of the Company's books and records, including rate base items, with plant additions and retirements. On the basis of this audit, the exhibits and the testimony contained in the entire record of the hearing, the Commission can determine and find proper balances for the components of the Company's rate base and other items.

The Commission's determinations relative to the Company's rate base for its sewer operations appear in the paragraphs below.

GROSS PLANT IN SERVICE

The Commission has traditionally used the regulatory accounting methodology recognized as "original cost less depreciation" in the determination of the value of a utility's plant in service. The record of the instant proceeding presents no justification for a departure from this methodology which was utilized by the Commission Staff in calculating the Company's gross plant in service per books of \$1,768,757. The Commission Staff proposed adjustments to Plant in Service to reclassify plant which

was not used during the test year and to reflect CWIP during the test year.

Based upon the Commission's treatment of Staff's adjustments to expenses, the Commission approves Staff's adjustments to Gross Plant in Service. The net effect of these adjustments is to increase Gross Plant in Service by \$180,625. The Commission finds \$1,949,382 to be the appropriate figure for the Gross Plant in Service.

PLANT HELD FOR FUTURE USE

The Staff made an adjustment for plant held for future use to reflect the reclassification of the Bridge Creek sewer plant from gross plant-in-service to plant held for future use because it was not in use at the end of the test year. The Commission accepts Staff's adjustment of \$597,352.

ACCUMULATED DEPRECIATION

In determining the proper rate base for utilities, the Commission has consistently applied a methodology which reduces the figure for the gross plant used and useful in providing public service by a reserve for depreciation and amortization. This reserve for depreciation and amortization for WildeWood's operations reflected a "per books" figure of \$(302,159).

With the adjustments previously approved herein, the Commission is of the opinion, and, so finds, that the Company's per books reserve for depreciation and amortization should be adjusted by \$142,764. Consequently, the reserve for depreciation and amortization to be used for ratemaking purposes in the proceeding

is \$(159,395).

CONSTRUCTION WORK IN PROGRESS

This Commission has traditionally considered the reasonable and necessary costs of construction of utility plant not yet in service to be a proper rate base item. Such costs are described as construction work in progress. The Commission has uniformly allowed CWIP to be included in a utility's rate base with offsetting adjustment to operating income for return by that portion of the interest on funds used during construction attributable to the CWIP at the end of the test period.

In the instant proceeding, the Staff reclassified the Spears Creek sewer plant from gross plant-in-service to CWIP because the plant was not completed at the end of the test year. The Staff also made an adjustment to CWIP to reflect capitalized legal fees for Bridge Creek Sewer Plant. The Commission accepts Staff's adjustment for ratemaking purposes herein.

CASH WORKING CAPITAL

The Commission has normally considered an allowance for cash working capital to be an appropriate item for inclusion in the rate base of a sewer utility. By permitting a cash working capital allowance, the Commission acknowledges the requirement for capital expenditures related to the routine operations of the utility.

The Commission Staff adjusted cash working capital to reflect certain prior expense adjustments. No party opposed the Staff's adjustment and the Commission approves an adjustment of \$(25,125).

The Company's rate base, as herein adjusted and determined by the Commission to be appropriate for the purposes of this proceeding, is set forth as follows:

TABLE B
ORIGINAL COST RATE BASE

	\$
Gross Plant in Service	619,821
Reserve for Depreciation	(159,395)
Net Plant in Service	460,426
Cash Working Capital Allowance	17,558
Plant Held for Future Use	597,352
CWIP	1,170,646
Contributions in Aid of Construction	(296,600)
TOTAL RATE BASE	<u>1,949,382</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 11 AND 12

Under the guidelines established in the decisions of Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in the Hope Natural Gas decision, supra, the utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and...that are adequate under efficient and economical management, to maintain and support its credit and

enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

Neither S.C. Code Ann., §58-5-290 (1976), nor any other statute prescribes a particular method to be utilized by the Commission to determine the lawfulness of the rates of a public utility. For ratemaking purposes, this Commission examines the relationships between expenses, revenues, and investment in a historic test period because such examination provides a constant and reliable factor upon which calculation can be made to formulate the basis for determining just and reasonable rates. This method was recognized and approved by the Supreme Court of South Carolina for ratemaking purposes involving utilities in Southern Bell Telephone and Telegraph Co. v. The Public Service Commission of S.C., 270 S.C. 590, 244 S.E.2d 278 (1978).

For sewerage utilities, where the utility's rate base has been substantially reduced by customer donations, tap fees, contributions in aid of construction and book value in excess of investment, the utility may request, or the Commission may decide, to use the "operating ratio" and/or "operating margin" as guides in determining just and reasonable rates, instead of examining the utility's return on its rate base. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues. The obverse side of this calculation, the operating margin, is determined by dividing net operating income for return by the total operating revenues of the utility.

In this proceeding, the Commission will use the operating

margin as a guide in determining the lawfulness of the Company's proposed rates and if necessary, the fixing of just and reasonable rates. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E.2d 257 (1984).

The following Table indicates the Company's gross revenues for the test year, after accounting and pro forma adjustments under the presently approved schedules; the Company's operating expenses for the test year after accounting and pro forma adjustments; and the operating margin under the presently approved schedules for the test year:

<u>TABLE C</u>	
	\$
Operating Revenues	43,848
Operating Expenses	165,875
Net Operating Income (Loss)	(122,027)
Add: Customer Growth	-0-
Total Income for Return (Loss)	<u>(122,027)</u>
Operating Margin (After Interest)	<u>(545.80%)</u>

The following Table shows the effect of the Company's proposed rate schedule, after accounting and pro forma adjustments approved herein:

<u>TABLE D</u>	
	\$
Operating Revenues	106,880
Operating Expenses	166,411
Net Operating Income	(59,531)
Add: Customer Growth	-0-
Total Income for Return	<u>(59,531)</u>
Operating Margin (After Interest)	<u>(165.44%)</u>

The Commission is mindful of those standards delineated in the Bluefield decision, supra, and of the balance between the respective interest of the Company and of the consumer. The Commission has considered the spectrum of relevant factors in this proceeding, the revenue requirements for the Company, the proposed price for which the Company's service is rendered, the quality of that service, and the effect of the proposal upon the consumer, among others.

The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or customer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p.292.

The Commission has considered the proposed increase presented by the Company in light of the various standards to be observed and the interests represented before the Commission.

The Company presented the testimony of Mr. Jones who provided information concerning the extensive upgrades and repairs to the Company's wastewater treatment facilities. In June of 1987, WildeWood Utilities, Inc. agreed to purchase the Briarcliffe sewer

system from Briarcliffe Associates, subject to the approval of the Commission. In its Order No. 87-815 in Docket No. 87-288-S, the Commission approved the acquisition of the Briarcliffe system by WildeWood Utilities, Inc. The acquisition was actually closed in October of 1988. However, pursuant to its agreement with Briarcliffe Associates, WildeWood Utilities had begun to operate the system in June of 1987 in anticipation of the closing being consummated and in order to have technical control over the needed facility upgrades and modifications.

Mr. Jones testified that at the time the acquisition was closed, DHEC had issued a consent order which arose out of some alleged violations by Briarcliffe Associates of its NPDES permit. As a result of that proceeding, Briarcliffe Associates was under a mandate by DHEC to make certain upgrades to the system, including improvement of the clarifier to increase its capacity, installation of a bar screen to remove solids, addition of 70,000 gallons more digestive capacity, installation of a sludge dewatering system, and elimination of the system's point source discharge. All of the violations listed in the consent order were the result of inadequate or improper operations occurring before WildeWood undertook the operation of the system, with the exception of certain operational and maintenance violations resulting from plant inadequacies. To remedy these inadequacies, the system upgrades mentioned above were required by DHEC. WildeWood Utilities could not begin making those upgrades until such time as the agreement between Briarcliffe Associates and WildeWood Utilities has been

executed, which was in June, 1987. The upgrades were then largely completed between the signing of the agreement and the closing of the contract in October 1988.

All of the modifications and upgrades required by the DHEC consent order governing Briarcliffe Associates have been completed, according to witness Jones. The elimination of the point source discharge was accomplished by construction of the rapid infiltration system and other modifications and upgrades were made in order to make the system operate in an efficient and environmentally responsible manner. Mr. Jones testified that the total amount of money spent to improve and upgrade the Briarcliffe system to date is \$572,673.

Intervenor Hendry expressed his concern about the rate increase being attributable to upgrades due to DHEC violations, the enhancement of the treatment facility and the expansion of the capacity of the wastewater treatment facility. Based on the testimony of witness Jones, the Commission finds that the operating violations were not the result of any acts or omissions of WildeWood but resulted from errors of the prior owner of the facility. The facility upgrades, while not specifically required by DHEC were necessary in order for the Company to operate efficiently and in an environmentally sound manner. The increase was not intended to raise funds for the development of facilities for other subdivisions but was necessary due to the losses suffered during the past three years of operation.

The Commission must balance the interests of the Company --

the opportunity to make a profit or earn a return on its investment, while providing adequate sewerage service -- with the competing interests of the ratepayers -- to receive adequate service at a fair and reasonable rate. In balancing these competing interests, the Commission finds, based on the evidence in the record, that the proposed schedule of rates and charges with the exception of the tap fee is just and reasonable and appropriate for both the Company and its ratepayers. However, because of the "rate shock" the customers would experience with a change in monthly rates from \$8.00 to \$19.50, the Commission finds that the increase shall be implemented in two stages, with a \$15.00 monthly rate being charged for 12 months and the full rate increase of \$19.50 being charged thereafter.

Upon this finding it is incumbent upon the Commission to approve rates which are just and reasonable, not only producing revenues and an operating margin within a reasonable range, but which also distribute fairly the revenue requirements, considering the price for which the Company's service is rendered and the quality of that service. The Commission finds that the Company has expended a considerable amount to improve and upgrade the sewerage system so that its customers may continue to receive adequate service. The Commission finds that the proposed level of revenues and corresponding rates and charges are reasonable. In light of the factors previously discussed and based upon the record in the instant proceeding, the Commission concludes that a fair operating margin that the Company should have an opportunity to earn is

(165.44)%, which requires annual operating revenues of \$106,880. The following table reflects an operating margin of (165.44)%.

TABLE E

	\$
Operating Revenues	106,880
Operating Expenses	166,411
Net Operating Income	(59,531)
Add: Customer Growth	-0-
Total Income for Return	<u>(59,531)</u>

While the Commission is aware of the impact on the customers of granting additional annual revenues in the amount of \$63,032, the Company has provided justification for such an increase, and the schedule of rates and charges approved herein depict just and reasonable rates. The Commission would note that in an effort to minimize the impact of the increase on the customer and allow the Company to improve its financial condition, the increase approved herein still does not allow the Company a positive operating margin. The Commission also has ordered the Company to charge a monthly rate of \$15.00 for the first twelve months and the full rate increase of \$19.50 being charged thereafter.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 13 AND 14

The Commission will spread the increase among the various services offered by the Company in the following manner:

The Company presently charges its sewer customers \$8.00 per month. The Company proposes to increase the monthly charge to \$19.50. The Commission grants that increase although the first

twelve months the monthly rates will be \$15.00 as explained hereinabove.

WildeWood proposed to increase its tap fee for Briarcliffe from \$250 to \$1,050 to bring it in line with the tap fee of \$250.00 and plant impact fee of \$800.00 approved by the Commission for WildeWood's other customers. However, the Commission finds that there was insufficient evidence in this docket to justify an increase in the tap fee for Briarcliffe, therefore, the Commission denies the requested increase.

In order to depict pictorially which lots will continue to be charged the tap fee of \$250.00, the Commission hereby directs the Utility to update its service area maps within thirty (30) days of the date of this Order. The new service area maps should clearly delineate the areas in Briarcliffe Estates where the Utility must provide taps at \$250.00 per tap. Likewise, all areas outside the present Briarcliffe Estates area where the \$1,050 fee will apply should be clearly delineated as well.

WildeWood had also requested that the \$1,050 already approved for its customers outside Briarcliffe as a tap fee of \$250 and plant impact fee of \$800 be changed to a \$1,050 tap fee. The Commission finds that this change cannot be made as a simple change in labeling of the fee and denies its request. The Company must provide justification to the Commission on why the two fees previously approved by the Commission for separate purposes should now be considered one fee.

The Commission approves the request of the Company for a

\$15.00 Notification Fee, a Customer Account Charge of \$20.00 and to establish commercial rates based on single family equivalency.

The Commission finds that the other proposals in the Company's rate schedule for sewer service do not necessarily affect WildeWood's operating margin, but primarily set forth the Company's policies in regard to various situations. The Commission has reviewed these policies and finds that they should be approved.

The Company proposes that as to the extension of utility service lines and mains that it "shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect its sewer system." This policy is inconsistent with the Commission's determination in Order No. 84-890, issued October 30, 1984, in Docket No. 84-55-S, Application of Fripp Island Sewer System, Inc. for approval of a new schedule of rates and charges for sewer service provided to its customers. There the Commission enunciated its finding that a utility had no obligation to extend its service lines and mains to serve a customer only if it is not "economically feasible" to do so. The utility has the regulatory benefit of being the monopoly provider and should strive to provide service to its customers within the confines of its service area if it is economically feasible to do so. Therefore, the Commission will amend that portion of the Company's rate schedule as reflected in Appendix A, page four.

The Commission finds and concludes that the rates and charges approved herein achieve a balance between the interest of the Company and those of its affected customers. This results in a

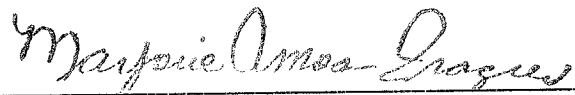
reasonable attainment of our ratemaking objectives in light of applicable statutory safeguards.

IT IS THEREFORE ORDERED:

1. That the proposed schedule of rates and charges by the Company are found to be reasonable and are hereby granted with the exception of the proposed tap fee which was denied. However, the monthly rates for the next twelve months will be \$15.00 instead of the \$19.50 approved by the Commission.
2. That the schedule of rates and charges attached hereto as Appendix A, be, and hereby are, approved for service rendered on or after the date of this Order, and the schedules be, and are hereby deemed to be filed with the Commission pursuant to S.C. Code Ann., §58-5-240 (1976), as amended.
3. That should such schedule not be placed in effect until three (3) months of the effective date of this Order, such schedule as contained herein shall not be charged without written permission from the Commission.
4. That the Company shall maintain its books and record for sewer operations in accordance with the NARUC Uniform System of Accounts for Class B Sewer Utilities, as adopted by this Commission.

5. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

DOCKET NO. 89-426-S - ORDER NO. 90-868
WILDEWOOD UTILITIES, INC.
SEPTEMBER 27, 1990
APPENDIX A

THE SCHEDULE OF RATES AND CHARGES IS AS FOLLOWS:

1. MONTHLY CHARGES

- a. Residential - Monthly charge per
single-family house, condominium,
villa or apartment unit \$15.00
(UNTIL SEPTEMBER 30, 1991
THEN INCREASE TO \$19.50 A
MONTH)
- b. Commercial - Monthly charge per
single-family equivalent \$19.50
- c. The monthly charges listed above are minimum charges
and shall apply even if the equivalency rating is
less than one (1). If the equivalency rating is
greater than one (1), then the monthly charges may be
calculated by multiplying the equivalency rating by
the monthly charge of \$19.50.

Commercial customers are those not included in the
residential category above and includes, but are not limited to,
hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner,
bill a tenant. However, all arrearages must be satisfied before
service will be provided to a new tenant or before interrupted
service will be restored. Failure to pay for services rendered
to a tenant may result in service interruptions.

2. NON-RECURRING CHARGES

- a. Tap Fees \$250.00
- b. The non-recurring charges listed above are minimum
charges and apply even if the equivalency rating is
less than one (1). If the equivalency rating is
greater than one (1), then the proper charge may be
obtained by multiplying the equivalency rating by the
appropriate fee. These charges apply and are due at
the time new service is applied for, or at the time
connection to the sewer system is requested.

3. BULK TREATMENT SERVICES

The Utility will provide bulk treatment services to Richland County ("County") upon request by the County. The rates for such bulk treatment services shall be as set forth above for both monthly charges and nonrecurring charges per single-family equivalent. The County shall certify to the Utility the number of units or taps (residential and commercial) which discharge wastewater into the County's collection system and shall provide all other information required by the Utility in order that the Utility may accurately determine the proper charges to be made to the County. The County shall insure that all commercial customers comply with the Utility's toxic and pretreatment effluent guidelines and refrain from discharging any toxic or hazardous materials or substances into the collection system. The County will maintain the authority to interrupt service immediately where customers violate the Utility's toxic or pretreatment effluent standards or discharge prohibited wastes into the sewer system. The Utility shall have the unfettered right to interrupt bulk service to the County if it determines that forbidden wastes are being or are about to be discharged into the Utility's sewer system.

The County shall pay for all cost of connecting its collection lines into the Utility's mains, installing a meter of quality acceptable to the Utility to measure flows, and constructing a sampling station according to the Utility's construction requirements.

4. NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES

- a. Notification Fee: A fee of \$15.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
- b. Customer Account Charge: A fee of \$20.00 shall be charged as a one-time fee to defray the costs of initiating service.
- c. Reconnection charges: In addition to any other

charges that may be due, a reconnection fee of \$250.00, shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4.

The amount of the reconnection fee shall be in accordance with R.103-352.4 and shall be changed to conform with said rule as the rule is amended from time to time.

5. BILLING CYCLE

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

6. LATE PAYMENT CHARGES

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1-1/2%) percent.

7. TAX MULTIPLIER

Except as otherwise provided by contract approved by the South Carolina Public Service Commission, amounts paid or transferred to the Utility by customers, builders, developers or others, either in the form of cash or property, shall be increased by a cash payment in an amount equal to the income taxes owed on the cash or property transferred to the Utility by customers, builders, developers or others and properly classified as a contribution or advance in aid of construction in accordance with the uniform system of accounts. Included in this classification are sewer service connection charges and plant impact fees.

8. TOXIC AND PRETREATMENT EFFLUENT GUIDELINES

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR Section 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR Section 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum

pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

9. CONSTRUCTION STANDARDS

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

10. EXTENSION OF UTILITY SERVICE LINES AND MAINS

The Utility shall have no obligation to extend its utility service lines or mains in order to permit any customer to connect to its sewer system, if it is not economically feasible to do so. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, shall not be denied service and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

11. CONTRACTS FOR MULTI-TAP CAPACITY

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an acceptable amount to the Utility to defray all or a portion of the Utility's cost to make modifications or expansions thereto.

12. SINGLE FAMILY EQUIVALENT

The list set forth below establishes the minimum equivalency rating for commercial customers applying for or receiving sewer service from the Utility. Where the Utility has reason to suspect that a person or entity is exceeding design loadings established by the South Carolina Pollution Control Authority in a publication called "Guidelines for Unit

Contributory Loadings to Wastewater Treatment Facilities" (1972), as may be amended from time to time or as may be set forth in any successor publication, the Utility shall have the right to request and receive water usage records from the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

TYPE OF ESTABLISHMENT		EQUIVALENCY RATING
1.	Airport	
	(a) Each Employee.....	.025
	(b) Each Passenger.....	.0125
2.	Apartments.....	1.0
3.	Bars (a) Each Employee.....	.025
	(b) Each Seat (Excluding Restaurant)....	.1
4.	Boarding House (per Resident).....	.125
5.	Bowling Alley	
	(a) Per Lane (No Restaurant).....	.3125
	(b) Additional for Bars and Cocktail Lounges (per seat or person)	.0075
6.	Camps	
	(a) Resort (Luxury) (per person).....	.25
	(b) Summer (per person).....	.125
	(c) Day (With Central Bathhouse) (per person).....	.0875
	(d) Per Travel Trailer Site.....	.4375
7.	Churches (per seat).....	.0075
8.	Clinics	
	(a) Per Staff.....	.0375
	(b) Per Patient.....	.0125
9.	County Club (Each Member).....	.125

10.	Factories	
	(a) Each Employee (No Showers).....	.0625
	(b) Each Employee (With Showers).....	.0875
	(c) Each Employee (With Kitchen Facilities).....	.1
11.	Fairgrounds (Per person based on average attendance).....	.0125
12.	Food Service Operations	
	(a) Ordinary Restaurant (Up to 12 Hours) (per Seat).....	.175
	(b) Over 12 Hour Restaurant (per Seat)..	.25
	(c) Curb Service (Drive-in) (per Car Space).....	.25
	(d) Vending Machine Restaurant (per person).....	.175
13.	Hospitals	
	(a) Per Bed.....	.5
	(b) Per Resident Staff.....	.25
14.	Hotels (Per Bedroom - No Restaurant).....	.25
15.	Institutions (Per Resident).....	.25
16.	Laundries (Self Service - Per Machine).....	1.0
17.	Mobile Homes.....	1.0
18.	Motels (per Unit - No Restaurant).....	.25
19.	Nursing Homes	
	(a) per Bed (No Laundry).....	.25
	(b) per Bed (With Laundry).....	.375
20.	Offices (Per Person No Restaurant).....	.0625
21.	Picnic Parks (Average Daily Attendance) (Per person).....	.025
22.	Residences (Single Family).....	1.0
23.	Rest Homes	
	(a) per Bed (No Laundry).....	.25
	(b) per Bed (With Laundry).....	.375

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24.	Schools	
	(a) per Person (No Showers, Gym, Cafeteria).....	.025
	(b) per Person With Cafeteria (No Gym, Showers).....	.0375
	(c) per Person with Cafeteria, Gym & Showers.....	.05
25.	Service Stations	
	(a) Each Car served (per day).....	.025
	(b) Each Car Washed (per day).....	.1875
	(c) First Bay.....	2.5
	(d) Each Additional Bay.....	1.25
26.	Shopping Centers (per 1,000 sq. ft. space) (no Restaurant).....	.5
27.	Stadiums (per Seat - No restaurant).....	.005
28.	Swimming Pools (per Person - with Sanitary Facilities and Showers).....	.025
29.	Theatres	
	(a) Drive-In (per Stall).....	.0125
	(b) Indoor (per Seat).....	.0125